

Think Outside the Box to Solve Americans' Cash Flow Problems

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A bill is due before your next paycheck, and you don't have the money to cover it. Many Americans have personal experience with this scenario: roughly one-third of the U.S. population have little or no liquid wealth, according to an estimate by [the Brookings Institute](#).

The problem of coming up short before your next paycheck is not always caused by insolvency or poverty. It can also be a challenge of timing and cash flow. But for Americans who lack an extra savings cushion or access to reliable credit, there are few affordable solutions. Nearly a third of borrowers use short-term loans to cover regular expenses in order to make it to payday, according to the Center for Financial Services Innovation's 2013 [report](#) on small-dollar credit. Many of these products, such as payday loans and check cashing, carry significant costs. In 2013, consumers with cash flow challenges spent an estimated \$7.5 billion on short-term loan products.

This constant juggle creates inconvenience, stress, and costly fees and interest rates. To tackle these challenges, [research](#) shows that consumers need financial products and services designed to meet their needs and meet them where they are. Technology provides an opportunity to enhance products designed to address these day-to-day financial management challenges with lower costs and more convenience.

In fact, a number of companies across the U.S. are already harnessing technology to solve Americans' cash flow challenges. The Palo Alto, Calif.-based [ActiveHours](#) makes an app that allows hourly workers to access their earnings before payday. Users upload photos of their electronic time sheets to their smartphones and choose the amount of money they'd like to withdraw for the hours they've already worked. Rather than charging fees for the service, ActiveHours asks users to leave discretionary tips.

In San Francisco, Digit helps consumers [automate savings](#) by predicting their cash flow and identifying savings opportunities. In Nashville, [Emerge Financial Wellness](#) is working with employers to create low-cost credit options as an employee benefit, reducing the stress of managing household finances and improving productivity.

Meanwhile, innovative nonprofits are leveraging technology to decrease lending costs, encourage sound financial behaviors and quickly turn effective community-based programs into national models. [Mission Asset Fund's](#) successful peer lending and saving program in San Francisco has catalyzed legislative change in California and spurred replication of the model in communities throughout the country, including Miami, New York City, Chicago and many others. Chicago's [MoneyThink](#) helps low-income high school students save by enabling positive reinforcement through their own social networks. This approach, which makes use of both in-person mentoring and mobile technology, has helped the organization go from pilot to national recognition in just three years.

Such ideas are promising. But there is much more to be done to bring these solutions to the millions of Americans that need them.

We need to focus on solving financial pain points that millions of Americans face. Let's catalyze a burgeoning landscape of innovative solutions that will help consumers better manage their day-to-day income and expenses. Together, we can help Americans take control of their financial health.

- See more at: <http://www.cfsinnovation.com/Blog-Posts/March-2015/Think-Outside-the-Box-to-Solve-Americans-Cash-Flow#sthash.bRJ9Vxwz.dpuf>